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Ritchie, Thomas

Our future policy in  
co-operative production

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OUR FUTURE POLICY  
IN  
CO-OPERATIVE PRODUCTION.

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A PAPER

READ BY

MR. THOMAS RITCHIE.

*(Secretary of the Scottish Industrial Association)*

AT THE HALF-YEARLY MEETING OF THE SCOTTISH  
CO-OPERATIVE CONVENTION, HELD AT GLASGOW,  
ON SATURDAY, OCTOBER 11TH, 1890.

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## OUR FUTURE POLICY IN CO-OPERATIVE PRODUCTION.

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IN opening the discussion on this subject, let me first draw your attention to the relations existing at present between the consumers and the workers in the production and distribution of the wealth of the country. Around this very important point much of the controversy now agitating our movement is centred, although it has at times been partially obscured by the side or local issues raised over disputes between our great Wholesale societies and productive associations established on the principle of profit-sharing with the workers. To this diversity of opinion on what should be the true relations between consumers and workers, we largely owe the confusing variety of practice and disappointing results that now attend the development of co-operative production in our midst.

### THE TWO NATIONS.

Broadly speaking, we may divide our 36,000,000 of population into two classes—those who are *both* workers and consumers and those who are consumers *only*. In a little book written by Mr. Alex. Wylie (of Glasgow), entitled, “Labour, Leisure, and Luxury,” we have the facts relating to this point vividly portrayed and powerfully supported by statistics culled from the most reliable sources of information. Let me glean from it a few

quotations:—"The population of the country is, in round numbers, 36,000,000, and of these less than 3,000,000 persons are devoted to producing the food of the United Kingdom—a proportion unparalleled in the present state of Europe, or in the past history of the world." \* "The number of the middle and higher classes is estimated at 10,000,000, with an annual income of £821,000,000, leaving 26,000,000 persons belonging to the manual labour class with an annual income of £521,000,000. Deduct the amount which these 10,000,000 have to expend for necessities, viz., £200,000,000, and the balance of *six hundred and twenty million pounds sterling represents the gross expenditure for luxuries of wealth.* But the result is far more astounding when it can be shown that of these £620,000,000, £550,000,000 are expended for the entire and special luxury of about 750,000 families, or less than  $3\frac{1}{2}$  millions of the population." It is further estimated that 6,130,000 persons, including no fewer than 1,951,000 domestic servants, are occupied in administering to the luxurious life of these 750,000 families. "To sum up, the luxuriousness of wealth yearly appropriates for its sole behoof the pleasant places of the land and their fruits; the princely habitations which it has caused to be reared thereon, with all their splendid and glittering appurtenances; the produce of mines, ironworks, railways, &c.; and the services of the professional and commercial classes to an extent represented by the vast sum of £280,000,000; and, *in addition*, exacts as its right the entire labour and homage of over 6,000,000 of manual labourers, who, with their families, constitute over 13,000,000 of the population, at a *further* expense of about £270,000,000; while out of this upper class, who monopolise all this wealth and service, only about 300,000 can be set down as rendering any service for the many benefits bestowed upon them by the community."

Why does this small proportion of our population control the lives and labour of the rest? you may ask. The answer is simple enough. Because they possess absolute sway over the great mass of the wealth of the country, in the shape of land and capital. "With

\* From Miall's "Dictionary of Statistics."

the fervid, disciplined industry, so powerfully and skilfully supplemented by machinery, which this concentrated wealth has at command, the result is such a gigantic system of luxury as never before existed in the world's history."

If it be true—and I have no reason to doubt the accuracy of Mr. Wylie's statistics—that at least "*one-half of the whole labour of the United Kingdom is for the production of the luxuries of wealth,*" how is it possible that any scheme of profit-sharing, based on dividends on purchases or consumption alone, can ever bring about the much-wished for and much-needed social elevation of the worker? While the land, capital, machinery, and other means of production remain, as at present, in the hands of a few rich families, who, by virtue of their vested interests therein, retain possession of the greater portion of the income, and therefore *purchasing power* of the country, the majority of the working classes will never be able to materially improve their condition of life. Something more than store dividends, something more than savings on a miserably inadequate expenditure of small wages on the necessities of life, is needed to accomplish their salvation. Until the interests of capital and labour are merged into one, until wages, largely augmented by a share of profits, represent an honest proportion of the fruits of productive labour, there is but little hope of genuine economic progress.

"The capital of the country"—says Mr. Bartley, M.P., in a speech on profit-sharing, recently delivered in the House of Commons—"was really producing for its holders something like seven per cent. This profit was excessive by, say three per cent., and if labour was to receive this three per cent., it would make a difference to its earnings of 150 millions a year, or 8s. a week per head." Imagine the possibilities for health-bringing leisure, for social improvement, that lie in even the partial realisation of this increase of income to the thousands who are now sweating on subsistence wages to produce this profit!

The social gulf that separates the idle rich from the workers is only too apparent. Although living in the same city, perhaps in streets adjacent to each other, the *two nations* are distinct in con-

ditions of living, education, social sympathies, and pursuits. The sins and sorrows of the one find, in many cases, no counterpart in the crimes and miseries of the other. If co-operation has any mission worth striving for, surely it lies in the destruction of this vicious social barrier that now divides the classes from the masses.

#### THE RIVAL SYSTEMS OF PRODUCTION.

Previous to reviewing the rival schools of co-operative production, let me briefly allude to the anarchy existing in the prevalent competitive system of production. "Of all the social questions which face us at this present time," says Professor Huxley, "the most serious is how to steer a clear course between the two horns of an obvious dilemma. One of these is the constant tendency of *competition* to lower wages beyond a point at which man can remain man—below a point at which decency, and cleanliness, and order, and habits of morality, and justice, can reasonably be expected to exist. And the other horn of the dilemma is the difficulty of maintaining wages above this point consistently with success in industrial *competition*. The sole course compatible with safety lies between the two extremes; between the Scylla of successful industrial production with a degraded population, on one side, and the Charybdis of a population maintained in a reasonable and decent state, with failure in industrial competition, on the other side."

We would hope, nay, almost predict, that in the pursuit of this middle course, in the avoidance of the curse of "sweating," the degradation of labour, on the one hand, and the production of the "cheap and nasty" on the other, lies the true power and perfect fulfilment of the mission of co-operation. Meanwhile the conflict between capital and labour still rages. "Rings," "trusts," "syndicates," "unions," and other forms of capitalistic monopoly are constantly in action, exploiting the worker on the one hand and the consumer on the other, while the workers, by means of their trades unions, and the consumers, through the medium of their co-operative stores, are striving to neutralise the disastrous effects of this exploitation.

Turning now to co-operative production, the question confronts

us, which of the two systems in operation at the present time will most quickly and effectively accomplish the emancipation of labour from the trammels of the competitive wage system.

The two schools have been designated "Federalist" and "Individualist" by Mr. J. C. Gray, in his paper on "Co-operative Production in Great Britain." The "Federalist" system owes its birth to a policy shaped by the directors of the Wholesale Societies of England and Scotland. As the collective capital of the distributive stores began to accumulate in their hands, it became an imperative necessity to devise some means of utilising it to the best advantage. Seeing that they could not absorb it in their distributive enterprise, they naturally turned their thoughts to production, and with what result is well known to all co-operators. This policy, which at first was largely a policy of expediency, soon developed into a system based on principles more or less fundamentally different from those advocated by the "Individualistic" school.

Quoting from Mr. Gray's paper: "The Federalists claim that all productive work should be carried on by the Wholesale Societies; that they should use the collective capital of the stores in starting manufactories of various kinds, and employing workmen to produce for them; and whatever profits are made in the production should be thrown together with the profits of wholesale distribution, and divided amongst the customers of these wholesale centres in proportion to their respective purchases. This is co-operative production from a consumer's point of view, as the profits of production are to be used only to increase the dividend to be paid to the consumer." This system of the division of profits is obviously unjust to the workers. As explained above, half of the whole labour of the country is occupied in producing luxuries for the wealthy. To distribute the profits of such production, in proportion to purchases, is simply to cheapen the goods to the users of luxuries. Again, another very large section of workers are occupied in manufacturing goods for export, the profits on which go to swell the incomes of our wealthy capitalists and the host of middlemen who prey upon the ignorance and necessities of

the consumers, and the helplessness of the producers. A large proportion of the products of our iron, coal, and textile industries come under this category. Further, "it cannot be an equitable division to make the ability to *eat* and *consume* the basis of the division of the wealth created by production. So far as I can see, it simply means that to him that hath much already shall be given more. Take, for instance, two cases—first, an individual who has a large establishment to keep up, perhaps servants, and horses, and dogs. He is able to purchase largely, and is actually under this system able, by the large consumption of his establishment (even of the dumb portion thereof) to take profits which have perhaps been realised by the hard work of some poor labouring man. Second, take the case, say, of a chainmaker earning 11s. or 12s. per week. This class of work is all done by hand, and is wretchedly paid. Yet when the worker seeks relief by co-operative production, it would be poor comfort to tell him, Your wages are fixed by competition; we cannot alter them; *eat wisely and well* out of your present small earnings, and you will grow rich in time if you live long enough."\* These illustrations, although only partly relevant to the existing positions taken up by our Wholesale Societies, serve the purpose for which I believe they were written, viz., to expose in no unmeasured terms the utter fallacy of maintaining that dividend on the purchases of the stores from the Wholesale Societies can in any sense benefit the productive workers.

To leave the wages question in its present position, is simply to ignore the principal factor in almost all the labour disputes that agitate the industrial community. It means the perpetuation of the hostility so often aroused in conflicts over the remuneration of work.

No doubt sanitary workshops and trade union wages are a distinct gain to the workers, but unmistakably such results fall far short of the true ideal of co-operative production. Federalism, we are told, aims at paying the highest rate of wages and providing healthy conditions of work. But what if the *highest rate of wages*

\* From Mr. Gray's Lecture in "Co-operative Life."

be insufficient to provide the worker and his family with a reasonable share of the necessities or comforts of life? "Under the system pursued by Federalism the worker cannot hold shares in the concern in which he labours. He has no inducement to throw more than usual energy into his work, as he has no immediate interest in the results,<sup>†</sup> and the system fails entirely to bind him in such close relation to the concern as would be the case if he had a lively interest in it, in the shape of moneyed responsibility and a voice in the management." At its best Federalism can only train up model factory *hands* to tend its machinery, not men and women imbued with a conscious intelligent responsibility in their work, a responsibility formative of character and preparatory to the development of capacity for the higher duties of citizenship.

Let me here reply to an argument advanced by Mr. Mitchell (chairman of the English Wholesale Society) at the Productive Exhibition recently held at Tynemouth, in support of the "Federalist" system. He said: "The labouring community and the capitalist community did not form 30 per cent. of the population. Was it right that 70 per cent. of the population should have a small tax placed upon them for the special benefit of 30 per cent. of the population?" Now, even granting that Mr. Mitchell's per centages are correct, the conclusions he draws from them are entirely fallacious. How is it possible that the burden of the *small tax* he refers to can fall upon the 70 per cent. of the population, who must obviously be composed of the wives, families, and dependents of the 30 per cent. of capitalists and workmen? It is surely plain enough, *income* and not *population* being the basis of purchasing power, that it is the 30 per cent. of workers and capitalists who would have to pay this tax, and that a man with a large family but a small income may be relatively in a better position with regard to this so-called tax than a man with a small family and a large income. But what is this tax he is so anxious not to see imposed? It is the payment

<sup>†</sup> The Scottish Wholesale Society's system of distributing bonus is communistic, but not equitable, each department receiving a share whether it has earned it or not. Hence indifference as to *results* might arise among the workers.

of the profits on production to the workers instead of the consumers. On the profits in the productive departments of our Wholesale Societies for the year 1887, this tax would amount to about  $\frac{1}{4}$ d. per pound on the purchases of the stores, and on the average purchase of an ordinary member of a store (say about £32 per annum), it would be a loss to him of the enormous sum of twopence in the shape of dividend. It is almost needless to add that the "Individualists" deny that it is a tax at all, and maintain that when an article is sold at its *market* value, the workers are entitled to a share of the profits that may accrue. If, from the Federalist point of view, it is just and honourable to pay labour *only* its value in the *competitive* market, how can it be unjust for the workers to demand the full market value of the goods they produce? But, as we know, the workers are generally willing to admit that fluctuations in the market value may bring to them more than their legitimate profit, and they therefore agree to a triple division of profits—capitalist, labourer, and consumer each getting an allotted proportion.

Let me now endeavour to lay before you the principal reasons advanced for supporting the "Individualist," in preference to the "Federalist" system of co-operative production.

It is maintained that the remuneration our workers receive in the shape of wages does not represent the true value of their labour, hence the claim that a share of the profits made by their employers should be allotted to them after full deduction has been made for working expenses, depreciation, reserve fund, and interest on capital. "Wages"—says George Jacob Holyoake—"are not an instalment of profit, they being but the mere cost of fuel necessary to keep the human engine in working condition while the profits are made." Or again: "The worker contributes his labour, and the capitalist his money, for an *uncertain* result in profit, and it is not unreasonable that fixed wages being taken as a minimum price of labour, the profit beyond that should be regarded as divisible between both, in understood proportions." Recognising the justice of this claim, numerous attempts have been made in this as well as other countries to reconcile the con-

flict of interests by the adoption of some method of profit-sharing. Many of these attempts have proved completely successful. Some, however, of these promoted in this country have only attained a partial success, for reasons not far to seek. They were undertaken in a half-hearted manner, the motive being to estrange the men from their "unions" rather than to improve their social condition. To ensure success the conditions of co-partnership must be of a more liberal nature than those hitherto obtained, and the co-operation of the trades unions will be essential to make any efforts at uniting the conflicting interests have any lasting measure of success. Further, the new relation between masters and men will require to be more than that of a mere *commercial contract*; and efforts must be made on the part of the employers to enlist the affections and arouse the better natures of their workmen, if they would attain anything like the success that has followed the life-labours of such captains of industry as Leclaire and Godin.

#### THE PRESENT OUTLOOK.

However gloomy the present prospects may appear, there can be no doubt that before many years have passed, the clouds of controversy will break, and a definite policy reveal itself fraught with healthy warmth, and quickening to all our efforts at promoting genuine co-operative production. Even now there is abundant evidence that a reaction against the policy of our Wholesale Societies is setting in. Profit-sharing is receiving increased appreciative attention both in the press and in Parliament. Experiments are being tried by many private firms, and the trade unions are discussing the question in many industrial centres, with the view of practical application of the principle when a favourable opportunity arises.

A cry has also been raised against the tendency to over-centralisation on the part of our Wholesale Societies. Centralisation was no doubt necessary and beneficial in their infancy, but now that they have grown into gigantic business concerns, carrying on a bewildering multiplicity of departments and



productive works, the question naturally arises, how can a small body of working men, in no way trained to the duties they have to perform, manage such huge undertakings without the danger arising of some mishap? To find a parallel to such business associations, we must go back to the days of primitive commerce, or the American store, each indicative of a barbarous condition of things. The whole history of commercial evolution points to the specialisation of trades as well as industries, where successful and economical management, *accompanied with satisfaction and profit to the consumer*, is aimed at.

Many hold the opinion that our Scottish Wholesale Society has erred in centralising its productive works at Shieldhall. Would a boot factory at Linlithgow, or a preserve factory in the Vale of the Clyde, not be more suitable to the condition of things than the extension of the present boot factory or the establishment of the preserve factory at Shieldhall? At Linlithgow a special kind of boot is manufactured, in great demand in the East; and everyone will recognise the necessity of having a preserve factory planted in the centre of a fruit-growing district, if the value and flavour of the fruits are not to be depreciated by transport to a distance by rail or otherwise. Similar objections might be advanced against the concentration of other productive industries, such as printing, tailoring, &c.. All these productive enterprises must inevitably cramp each other's growth, if confined to the area of the Shieldhall property.

Again, is it not desirable that as little dislocation of the existing labour and industries of the country, compatible with the progress of co-operative enterprise, be sought after? There are preserve factories in Paisley and Edinburgh and elsewhere. These must necessarily suffer by the competition from our Wholesale Society, and it is surely within the range of possibility that a little *moral pressure* might have turned some of these going concerns into profit-sharing establishments, and thus saved the capital of co-operators for investment in other directions. The concentration of factory labour at Shieldhall cannot be looked to as a healthy development of co-operative enterprise. Judging by analogous

cases in private enterprise, the distribution of co-operative labour and capital over the country in *suitable localities* would do more to bring our home industries under the influence of co-operation than the pursuit of the paternal system of production now practised by our Scottish and English Wholesale Societies.

No one can read the early struggles and ultimate success of such flourishing "Individualistic" societies as the Hebden Bridge Fustian and the Paisley Manufacturing Societies, without feeling a thrill of mingled pleasure and pride that so much courage, so much perseverance, should exist among our operatives, both in England and Scotland. Would it not be a greater co-operative victory to see many such noble illustrations of the power of self-help spread over the country, than to see pile after pile of factories rise at Shieldhall, conveying no hope of co-operative freedom to the workers, no hope of emancipation from the cruel influences of *competition* in the labour market? We can further hail with the utmost satisfaction the advent of such industrial associations as the Scotch Tweed Manufacturing Society, Selkirk, which, under its present experienced management, and situated in the very centre of a district famed for the production of tweeds, cannot fail, being now commercially successful, to prove a powerful incitement to other manufacturers to adopt the co-operative principles it represents.

On the subject of federation, I entirely agree with the attitude adopted by Mr. Holyoake, in a recent article of his which appeared in the *News*: "The chief productive societies have already federated on the principle of *profit-sharing*. They are quite prepared to go into a larger federation which recognises the same principle. They feared that to enter a new union without that principle would tend to confuse their aims, and frustrate its realisation." Federation for mutual protection against the destructive influences of competition, will naturally be resorted to, in time, by our productive societies, but any effort at forcing them into such a union at present appears to me to be somewhat premature, however excellent may be the schemes propounded. Like the federation of the trades unions now in process of

development, the growth must proceed from *within* to be lasting and successful.

The form that co-operative productive associations will assume in the future will largely depend on the motives and general character of the men and women who promote and support them. No cut and dried scheme can be devised applicable to all men or to all circumstances. What we want is a full recognition of the principle of profit-sharing, and wherever it is planted it will grow if properly nourished; while under the influence of co-operative education, let us hope that the higher forms of association will gradually supersede the lower, and thus accomplish in some measure the aims of all true social reformers.



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